



## STATE SENATOR PAT KREITLOW

### TESTIMONY BEFORE THE SENATE COMMITTEE ON HEALTH, HEALTH INSURANCE, PRIVACY, PROPERTY TAX RELIEF AND REVENUE

#### SENATE BILL 608

#### NEW BENCHMARK STUDY FOR WI-MN INCOME TAX RECIPROCITY

MARCH 24, 2010

Good morning, Chairman Erpenbach and committee members. I appreciate you holding a hearing on Senate Bill 608 which creates a benchmark study dealing with a possible new agreement on income tax reciprocity with Minnesota.

Minnesota's decision to end the reciprocity program has been a great source of frustration and inconvenience to many constituents and businesses in my region. Close to 57,000 Wisconsin residents who work in Minnesota were affected by the termination of an agreement which dates back to 1968.

Now, all of those workers will have to file two sets of income taxes beginning in tax year 2010—one for each state—when they used to just file in Wisconsin. It won't cost them any extra tax dollars; in fact, because of how tax rates and deductions are set up, Minnesota's Governor Tim Pawlenty has actually been the one to cost thousands of his citizens extra taxes as well as the inconvenience.

Still, it's an unnecessary inconvenience, ending a decades-long agreement just so Minnesota could get some short-term cash to balance their own budget.

There was some genuine frustration from Minnesota about the lag time before getting their annual "make good" payment from Wisconsin, and we've been very open about our willingness to negotiate a new schedule. But beyond that, Minnesota officials have also been asking for what's called a new "benchmark study" which would gather new information on how many people live in one state, work in the other, and how much income they're making. Both states had been working off figures gathered in 1995 and making estimates beyond that.

Senate Bill 608 would require the Wisconsin Department of Revenue, in conjunction with the Minnesota DOR, to collect the data necessary to complete a new benchmark study. We agree that it's fair to both states to gather new data and lay the groundwork for revisiting the issue once both states have new governors next year.

Thank you for your consideration. I would be happy to answer any questions that you may have.